

TO THE SHAREHOLDERS
SOUTHAM PRESS LIMITED

In the second quarter our business generally continued to show gains over 1976 although the rate of growth has slowed in comparison to the first three months.

A threatened drought in the western provinces and a softening in consumer demand generally was reflected in newspaper results where advertising linage was ahead only 2.9 percent. On the other hand, circulation growth continues at satisfactory rates in most markets and ended the half up 3.9 percent.

Volume growth at our printing divisions was accompanied by some improvement in margins although the loss of Eaton's contract printing in 1976 and the resulting settlement caused some distortion in figures for the first six months of last year.

As previously reported, the decline in revenue from business publications and shows arises from the sale of TV Hebdo.

Towards the end of the second quarter the pace of business improved at Pacific Press, the principal associate company.

While the results for the first six months are generally satisfactory, AIB regulations are having a restraining effect on our ability to match cost increases with price adjustments.

Arthur Gordon
file

Chairman of the Board

President

TORONTO, CANADA, JULY 19, 1977

Interim Consolidated Statement of
Changes in Financial Position (not audited)
(Thousands of dollars)

6 Months ended June 30

	1977	1976
SOURCE OF FUNDS		
Funds derived from operations	\$15,901	\$15,047
Investments realized	16	884
Long term borrowing ...	—	997
	<u>15,917</u>	<u>16,928</u>
USE OF FUNDS		
Dividends paid	5,209	4,850
Tax paid on 1971 undistributed income .	66	20
Additions to fixed assets, net	3,973	6,003
Investments acquired ...	75	384
Long term debt repaid or currently payable ..	498	4,627
Other minor items	<u>94</u>	<u>16</u>
	<u>9,915</u>	<u>15,900</u>
Increase in working capital	<u>\$ 6,002</u>	<u>\$ 1,028</u>

SOUTHAM PRESS LIMITED

Interim
report

6

months
ended
June 30, 1977



AR21

Interim Consolidated Statement of Income (not audited)

(Thousands of dollars except per share amounts)

3 months ended June 30th

6 months ended June 30th

	1977	Percentage Change	1976	Percentage Change	1977	Percentage Change	1976
Revenue from operations:							
Newspapers	\$ 54,130		\$ 48,937		\$ 101,272		\$ 90,654
Printing	20,709		16,878		37,581		36,152
Business publications and shows	7,551		8,017		14,304		15,196
	<u>82,390</u>	+ 11.6	<u>73,832</u>		<u>153,157</u>	+ 7.9	<u>142,002</u>
Cost of operations:							
Operating expenses	68,762		60,242		129,942		119,908
Depreciation	1,922		1,813		3,831		3,642
Amortization of goodwill	105		111		209		222
Interest (net)	267		536		531		1,177
	<u>71,056</u>	+ 13.3	<u>62,702</u>		<u>134,513</u>	+ 7.7	<u>124,949</u>
Operating income before income taxes	11,334	+ 1.8	11,130		18,644	+ 9.3	17,053
Income taxes (estimated)	5,097	- .9	5,145		8,417	+ 5.4	7,988
Operating income after income taxes	<u>6,237</u>	+ 4.2	<u>5,985</u>		<u>10,227</u>	+ 12.8	<u>9,065</u>
Equity in net income of associated companies	1,804		1,876		2,773		2,942
Dividends from investments	9		-		18		2
Net income	<u>\$ 8,050</u>	+ 2.4	<u>\$ 7,861</u>		<u>\$ 13,018</u>	+ 8.4	<u>\$ 12,009</u>
Net income per share	\$.65		\$.63		\$ 1.05		\$.96
Dividends paid—5% Preferred Shares	\$ 27		\$ 27		\$ 54		\$ 54
Dividends paid—Class A and B shares	\$ 2,575		\$ 2,399		\$ 5,155		\$ 4,796
Dividends paid—per share—Class A	21.5¢		20¢		43¢		40¢
Dividends paid—per share—Class B	<u>18.275¢</u>		<u>17¢</u>		<u>36.55¢</u>		<u>34¢</u>